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**DOMINION-SCOTTISH INVESTMENTS
LIMITED**



**Report for the Six Months
Ended June 30, 1972
(unaudited)**



**1018 Sun Life Building,
Dominion Square,
Montreal 110, Quebec**

DOMINION-SCOTTISH INVESTMENTS LIMITED

CONDENSED COMPARATIVE STATEMENT OF INCOME

For the Six months Ended June 30

	1972	1971
Income before income taxes.....	\$ 162,711	\$ 136,813
Provision for income taxes	3,282	12,000
Net income for the period.....	<u>\$ 159,429</u>	<u>\$ 124,813</u>
Per preference share	\$2.66	\$2.08
Per common share	<u>0.12</u>	<u>0.07</u>

COMPARATIVE STATEMENT OF CHANGES IN NET ASSETS

For the Six months Ended June 30

	1972	1971
Net assets at beginning of period.....	<u>\$15,836,452</u>	<u>\$13,757,859</u>
Additions:		
Increase in unrealized appreciation of investments.....	1,698,580	1,379,465
Net gain on investments sold.....	\$964,210	
Less: Provision for income taxes.....	<u>88,109</u>	<u>301,435</u>
Net income for period.....	<u>159,429</u>	<u>124,813</u>
	<u>2,734,110</u>	<u>1,805,713</u>
Deductions:		
Dividends paid—		
On preference shares	75,000	75,000
On common shares.....	—	114,116
	<u>75,000</u>	<u>189,116</u>
Net increase for period.....	<u>2,659,110</u>	<u>1,616,597</u>
Net assets at end of period	<u>\$18,495,562</u>	<u>\$15,374,456</u>
Net asset value per share—		
Preference	\$308.26	\$256.00
Common	21.50	17.00

John O. McCutcheon,
Chairman

August 4, 1972

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DOMINION-SCOTTISH INVESTMENTS LIMITED



Forty-Fourth
ANNUAL REPORT
December 31, 1972

DOMINION-SCOTTISH INVESTMENTS LIMITED

(Incorporated under the Canada Corporations Act)

OFFICERS

John O. McCutcheon
Chairman of the Board

Clifford L. Larock, F.C.I.S.
Deputy Chairman

Neil B. Ivory
Vice-President

R. Haller
Secretary-Treasurer

C. F. Reid
Assistant Secretary-Treasurer

MANAGERS

Pembroke Management Ltd.
Montreal, Quebec

LISTED

Preference Shares listed Toronto Stock Exchange

DIRECTORS

J. G. S. Gammell, M.B.E., C.A.
Edinburgh, Scotland

R. A. Hammond-Chambers
Edinburgh, Scotland

John S. Lane, C.F.A.
Montreal, Quebec

Clifford L. Larock, F.C.I.S.
Montreal, Quebec

Donald B. McCaskill
Toronto, Ontario

John O. McCutcheon
Montreal, Quebec

A. Deane Nesbitt, O.B.E., D.F.C.
Montreal, Quebec

AUDITORS

Touche Ross & Co., Chartered Accountants
Montreal, Quebec

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company, Toronto

DOMINION-SCOTTISH INVESTMENTS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

NET ASSET VALUE

At 31st December, 1972 net asset value per preference share amounted to \$385.

Net asset value per common share advanced from \$17.79 at 31st December, 1971 to \$27.97 at the end of 1972. This increase of 57.2% compares favourably with corresponding increases of 22.0% in the Toronto Stock Exchange Industrial Index and 15.6% in the Standard and Poor 500 Index.

EARNINGS AND DIVIDENDS

In 1972 net earnings available for payment of dividends on the 60,000 preference shares outstanding amounted to \$329,669 which is 2.2 times the annual preference dividend requirement of \$150,000.

Net earnings available for the common shares in 1972 was equivalent to 25¢ per share.

Dividends paid on the common shares amounted to 12¢ per share in 1972 compared to 24¢ in 1971.

REVIEW AND OUTLOOK

While the year 1972 showed strong performance by the U.S. economy, Canadian economic performance was somewhat disappointing. Recent figures indicate that the U.S. Gross National Product advanced 9.7% over the year, with 3.3% being due to inflation, while Canadian growth in GNP is estimated at 10.2% of which 4.7% is attributed to inflation. Given also that January unemployment (in absolute terms) decreased to 5.0% in the United States, while reaching a new level of 7.7% in Canada, it seems clear that Washington's efforts in managing the economy produced some positive results. In contrast, the rate of inflation and the unemployment figures show the ineffectiveness of Canada's efforts which were limited to a modest degree of control over the money supply.

The U.S. economy entered 1973 with many of the characteristics of a major upswing and there seems to be near-unanimous opinion that this momentum will prevail throughout

the year. It seems probable that the U.S. will carry the Canadian economy with it, as it has done historically, and the exceptionally strong fourth quarter of 1972 in Canada indicates that the move is already underway. The high level of spending on the part of the Canadian consumer in 1972 can be expected to persist, despite a somewhat lower level of housing starts. Also, certain areas such as papers, steels and autos are clearly enjoying strong cyclical recovery.

In Canada, the major problems of containing inflation and reducing unemployment remain, despite the widespread optimism associated with the pace of U.S. business. The weak position of the Federal Government is particularly serious at this time and expansionary fiscal and monetary policies may cause a worsening of the inflation rate in 1973.

The establishment of a moderate investment reserve in the months ahead may thus be appropriate.

ANNUAL MEETING

The Annual Meeting of Shareholders has been called for Thursday, 3rd May, 1973 in Montreal.

On behalf of the Board,

JOHN O. McCUTCHEON,
Chairman

Montreal, Quebec,
12th March, 1973.

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION as at 31st December, 1972

	1972	1971
INVESTMENTS AT MARKET VALUE (cost 1972—\$16,500,630; 1971—\$10,347,291) . . .	<u>\$23,699,118</u>	<u>\$11,833,945</u>
CURRENT ASSETS:		
Cash	134,055	4,186,009
Accounts receivable	224,813	4,826
Accrued income on investments	76,144	37,830
	<u>435,012</u>	<u>4,228,665</u>
CURRENT LIABILITIES:		
Bank loan	500,000	—
Accounts payable and accrued expenses	380,719	220,599
Income taxes payable	157,741	5,559
	<u>1,038,460</u>	<u>226,158</u>
NET CURRENT (LIABILITIES) ASSETS	(603,448)	4,002,507
SHAREHOLDERS' EQUITY	<u>\$23,095,670</u>	<u>\$15,836,452</u>
REPRESENTED BY:		
CAPITAL STOCK:		
5% cumulative redeemable (at \$52.50) preference shares of \$50. each		
Authorized— 76,730 shares		
Issued — 60,000 shares	\$ 3,000,000	\$ 3,000,000
Common shares of no par value		
Authorized—1,200,000 shares		
Issued — 713,224 shares	2,979,493	2,979,493
	<u>5,979,493</u>	<u>5,979,493</u>
RETAINED EARNINGS	291,450	197,367
SURPLUS FROM CHANGES IN INVESTMENTS (note 2)	9,626,239	8,172,938
UNREALIZED APPRECIATION OF INVESTMENTS . . .	7,198,488	1,486,654
	<u>\$23,095,670</u>	<u>\$15,836,452</u>

On behalf of the Board:

J. O. McCUTCHEON, Director
C. L. LAROCK, Director

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

for the Year Ended
31st December, 1972

	1972	1971
INCOME FROM INVESTMENTS	\$ 459,778	\$ 433,850
Management expenses	92,124	77,978
Other expenses	20,181	18,798
Interest	21,747	1,757
	<u>134,052</u>	<u>98,533</u>
	325,726	335,317
Income and withholding taxes (note 3)	<u>3,943</u>	<u>(32,000)</u>
 NET INCOME	 329,669	 303,317
Retained earnings at beginning of year	197,367	215,224
	<u>527,036</u>	<u>518,541</u>
 Dividends		
5% preference shares	150,000	150,000
Common shares	85,586	171,174
	<u>235,586</u>	<u>321,174</u>
 RETAINED EARNINGS AT END OF YEAR	 <u>\$ 291,450</u>	 <u>\$ 197,367</u>
Net income per common share	<u>\$0.25</u>	<u>\$0.21</u>

AUDITORS' REPORT

To the Shareholders,
Dominion-Scottish
Investments Limited

We have examined the statement of financial position of Dominion-Scottish Investments Limited as at 31st December, 1972 and the statement of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at 31st December, 1972 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The 1971 financial statements were examined by another firm of chartered accountants.

Touche Ross & Co.
Chartered Accountants

Montreal, Que.
18th January, 1973.

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS 31st December, 1972

Note 1. Comparative Figures:

Certain of the 1971 figures have been restated for purposes of comparison.

Note 2. Surplus from Changes in Investments:

	<u>1972</u>	<u>1971</u>
Balance at beginning of year	\$ 8,172,938	\$ 8,073,925
Net gain from changes in investments (including (loss) profit on exchange 1972 (\$8,853), 1971—\$1,102)	1,630,966	99,013
Less: Provision for income taxes	<u>177,665</u>	<u>—</u>
	<u>1,453,301</u>	<u>99,013</u>
Balance at end of year	<u>\$ 9,626,239</u>	<u>\$ 8,172,938</u>

Note 3. Income Taxes:

The Company's expenses exceed its taxable income from investments and consequently there is an income tax credit shown on the statement of income and retained earnings. This credit is after deducting taxes withheld at source of \$8,779.

The provision for income taxes of \$177,665 shown in surplus from changes in investments (note 2) represents the tax related to the taxable gains from changes in investments during the year. The income taxes actually payable for the year amount to \$164,943 and represent the tax related to the gains from changes in investments, less the income tax credit of \$12,722 reflected in the statement of income and retained earnings.

Note 4. Source and Application of Funds:

A statement of source and application of funds has been omitted since it is deemed inappropriate for an investment company. The following statement of changes in shareholders' equity has been substituted therefor.

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net*

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)

31st December, 1972

Note 5. Changes in Shareholders' Equity:

	<u>1972</u>	<u>1971</u>
Shareholders' equity at beginning of year	\$15,836,452	\$13,757,859
Add:		
Net income for year	329,669	303,317
Net gain from changes in investments (proceeds 1972—\$10,460,674; 1971—\$7,863,887)	1,630,966	99,013
Provision for income taxes on net gain from changes in investments	(177,665)	—
Increase in unrealized appreciation of investments	5,711,834	1,997,437
	<u>7,494,804</u>	<u>2,399,767</u>
Deduct:	<u>1972</u>	<u>1971</u>
Dividends		
5% preference shares	150,000	150,000
Common shares	85,586	171,174
	<u>235,586</u>	<u>321,174</u>
Net increase for year	7,259,218	2,078,593
Shareholders' equity at end of year	<u>\$23,095,670</u>	<u>\$15,836,452</u>

Note 6. Directors and Officers:

The Board of Directors consists of seven members whose aggregate remuneration amounted to \$12,000 (1971—\$14,900). The Company has four Officers, two of whom are also Directors. The Officers of the Company received remuneration of \$1,500 in 1972.

Note 7. Foreign Currencies:

Transactions in foreign currencies during the year were recorded at the relative rates of exchange applicable on the dates of such transactions. Amounts in foreign currencies included in assets and liabilities are shown in Canadian funds, converted at rates of exchange applicable at the year end, any adjustment thereon being credited or charged, as the case may be, to surplus from changes in investments.

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 31st December, 1972

BANKS AND FINANCE

	Number of Shares	Market Value
Bank of Montreal	20,000	\$ 427,600
MICC Investments Limited	20,000	690,000
Royal Bank of Canada, The	15,000	556,950
Scottish & York Holdings Limited	100,000	713,000
Toronto-Dominion Bank	13,000	448,500
		<u>\$ 2,836,050</u>

CHEMICALS

Du Pont of Canada Limited	30,000	<u>\$ 930,000</u>
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COMMUNICATIONS

Bell Telephone Company of Canada, The	20,000	\$ 890,000
IWC Communications Limited	100,000	400,000
		<u>\$ 1,290,000</u>

CONSUMER PRODUCTS

Berkey Photo, Inc.	20,000	\$ 440,387
T. G. Bright & Co., Limited	30,000	682,500
Hoover Company, The	20,000	736,300
Scott's Restaurants Co. Limited	35,000	787,500
		<u>\$ 2,646,687</u>

DATA PROCESSING

Moore Corporation, Limited	12,000	<u>\$ 630,000</u>
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FOREST PRODUCTS

Crows Nest Industries Limited	20,000	<u>\$ 530,000</u>
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MANUFACTURING

Deere & Company	20,000	\$ 910,425
Ivaco Industries Ltd.	30,000	765,000
Stanadyne Inc.	6,000	144,056
Toromont Industrial Holdings Ltd.	210,000	588,000
		<u>\$ 2,407,481</u>

METALS AND MINING

Falconbridge Copper Limited	20,000	\$ 230,000
Pine Point Mines Limited	15,000	382,500
		<u>\$ 612,500</u>

PETROLEUM

Bow Valley Industries Ltd.	10,000	\$ 440,000
Pennzoil Offshore Gas Operators, Class "B"	50,000	466,655
Standard Oil Company, The, Ohio	8,000	735,345
Williams Companies	20,000	1,014,900
Wynn Oil Company	10,000	291,038
		<u>\$ 2,947,938</u>

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 31st December, 1972

(Continued)

PRINTING AND PUBLISHING

	Par Value or Number of Shares	Market Value
British American Bank Note Company Limited	15,000	\$ 221,250
Ronalds-Federated Limited	20,000	467,600
Sun Publishing Company Limited, Class "A"	25,000	<u>1,200,000</u>
		<u>\$ 1,888,850</u>

REAL ESTATE

Alliance Building Corporation Limited	40,000	\$ 380,000
Fairview Corporation of Canada Limited, The	16,900	270,400
Headway Corporation Limited, 7½%, Conv. Debentures, 1992	\$100,000	110,000
Headway Corporation Limited	10,000	50,000
S. B. McLaughlin Associates Limited	20,000	347,600
Orlando Realty Corporation Limited, The	20,000	230,000
Sifton Properties Limited	30,000	232,500
TDRI Limited, 5½%, Conv., Participating Debentures, 1993	\$100,000	119,250
		<u>\$ 1,739,750</u>

RETAILING

Peoples Department Stores Limited	180,000	\$ 4,095,000
Tonecraft Limited	90,000	<u>630,000</u>
		<u>\$ 4,725,000</u>

TRANSPORTATION

Refrigerated Transport Co., Inc.	10,000	<u>\$ 176,612</u>
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MISCELLANEOUS

GBC Capital Ltd.	33,000	<u>\$ 338,250</u>
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TOTAL VALUE OF INVESTMENT PORTFOLIO		<u>\$23,699,118</u>
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DOMINION-SCOTTISH INVESTMENTS LIMITED

TEN-YEAR FINANCIAL SUMMARY

Year Ended Dec. 31	Gross Income	Interest	Other Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preference Shares (1)	Available for Common Shares (1)	Asset Value per Common Share
1963	403,080	50,714	36,383	10,700	305,283	11,518,886	4,650,000	6,868,886	12.84
1964	449,532	80,446	35,558	10,700	322,828	13,568,928	5,150,000	8,418,928	15.74
1965	585,728	81,398	46,707	23,000	434,623	17,135,930	5,150,000	11,985,930	16.80
1966	637,736	81,055	50,328	22,000	484,353	15,625,561	5,150,000	10,475,561	14.69
1967	629,557	80,747	50,356	23,000	475,454	17,438,583	5,150,000	12,288,583	17.23
1968	545,571	83,456	64,254	33,000	364,861	21,496,005	5,150,000	16,346,005	22.92
1969	503,543	106,119	91,190	32,000	274,234	17,182,778	3,150,000	14,032,778	19.68
1970	399,872	22,368	67,751	26,500	283,253	13,757,859	3,150,000	10,607,859	14.87
1971	433,850 ⁽²⁾	1,757	96,776	32,000	303,317	15,836,452	3,150,000	12,686,452	17.79
1972	459,778 ⁽²⁾	21,747	112,305	173,722 ⁽³⁾	329,669	23,095,670	3,150,000	19,945,670	27.97

(1) Preference shares at redemption price of \$52.50.

(2) On an accrual basis.

(3) See note 3 to financial statements.

